McKinsey&Company

Global Banking

Equities content and context

Comparative business models among banks and broker-dealers

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Equities content and context:

Comparative business models among banks and broker-dealers

"Don't get involved in partial problems, but always take flight to where there is a free view over the whole single great problem, even if this view is still not a clear one."

— Ludwig Wittgenstein

"What you see is what you get."

— Flip Wilson

Article at a glance

Declining revenues and pending regulation are forcing firms to review their Equities businesses. Competing firms differ greatly in the breadth of their capabilities. As a result, some firms may be unable to access the revenue pools that make competitors appear more successful in comparison. A closer look at how a firm's strengths appeal to specific client segments can reveal why an Equities business is underperforming relative to the market or its peers. An understanding of "boutique" models can provide insight for large banks and smaller broker-dealers alike, whether they are contemplating further investment or a pull-back.

The value of an Equities business to investors is largely dependent on the capabilities of the firm in which it operates. Despite an advantage in breadth of capabilities, large firms that fail to deliver a wide range of products may end up with boutique-like results. Small firms forced to compete on a limited product set can still distinguish themselves in specific market segments; however, competition for commission flow is fierce.

This article explores the following questions as they relate to managing an Equities business:

- **What do investor clients really want?** What are the products, resources, and services that are most valuable to their business?
- **Why does the firm context matter?** How can other business lines contribute to the success of an Equities franchise?
- **What constitutes a "full-service" Equities business?** What do the largest, mature Equities businesses offer to clients? What additional revenues do they capture?
- **How is client value converted into revenue?** How are products positioned as client solutions?
- **How do Equities businesses align with investors?** Which clients is the firm most likely to attract?
- **What are the partial or "boutique" Equities business models?** How do firms successfully differentiate? How can a regional or sector-based strategy succeed?

What do investor clients really want?

The needs of investor clients are complex and involve much more than the execution of orders. By convention, clients rely on their execution commissions (and, in some cases, financing balances) to obtain additional resources from their brokers. As clients ascribe less value to pure execution, they are directing the bulk of their commissions toward more valuable services and scarce resources.

Exhibit 1 shows the capabilities of a bank or broker-dealer, some or all of which may be meaningful to an institutional investor.

The exhibit also illustrates two challenging aspects of Equities businesses: First, that there is no direct revenue associated with many of these resources and services. Second, that these resources and services can lie beyond the traditional purview of Equities management. A successful Equities business must deploy the full capabilities of its firm and direct them

Exhibit 1: Components of an investor client value proposition

Corporate relationships	Research	New issues	Distribution	Capital	Balance sheet	Related asset classes
• Management access • Non-deal road shows • Banker access	• Analysts • Specialists • Conferences	• Common equity • Preferred stock • Convertible bonds • Private placements • Loan syndication	• Risk transfer • Captive retail flow • Retail network • Liquidity pool • Execution	• Liquidity provision • Market making • Capital facilitation	• OTC derivatives • Margin lending • Securities lending • Custody • Cash management • Market access	• Volatility • Commodities • Corporate bonds • Rates • Currencies

Direct payment Indirect payment

at investor clients to access all potential sources of revenue, direct and indirect.

Why does the firm context matter?

There are five bank or broker-dealer businesses that can significantly enhance a firm's Equities business. The capabilities and resources "owned" by these other business units can provide a competitive advantage in attracting equity investors:

- **Corporate banking.** Direct lending and corporate finance can produce two of the resources most valued by investors: new issues and access to corporate management. The Equities business can in turn provide market color on previously-issued equities and related derivatives to bankers and their corporate clients, earning mandates for share repurchases and block trades. The two business units can also share the cost of Research within applicable regulatory limitations.

- **Private wealth management.** Retail can be a powerful contributor to an Equities business through the direction of order flow and stock loan balances. A captive source of liquidity and commissions provides a boost to the sales and trading unit, and a unique supply of hard-to-borrow securities can differentiate the prime brokerage unit. A retail distribution network may be viewed favorably by both corporate clients awarding new issues and block trades, and asset managers seeking capital.

- **Trading in other global markets asset classes.** Trading capabilities in complimentary asset classes can provide research, market color, and occasional trade facilitation for equity investors. Single-name credit products such as corporate bonds and credit default swaps can provide investors with deeper insight into corporate capital structures. Index, currency, and rate products offer investors a means to hedge macro exposures in their portfolios. Commodities trading expertise can also provide macro insights as well as deeper understanding of companies in the energy, agriculture, and metals sectors. Broader trading capabilities can provide solutions for cash and liquidity management in repo, government securities, and corporate commercial paper.

- **Custodial/transaction banking.** Custodial Banking can strengthen relationships with both corporate and investor clients. On the corporate side, credit lines, treasury services, cash management, and payments processing can lead to increased access to management and participation in new issues. On the investor side, clearing, collateral management, custody, securities services, and fund administration can result in operational dependencies between the firm and its investor clients. Banks with a deposit base may enjoy a higher credit rating, thereby enhancing the ability of an Equity business to compete in prime brokerage and over-the-counter derivatives.

- **Asset management.** There are a number of regulatory constraints and perceived conflicts that weigh on the synergies between an Equities trading business and a related Asset Management subsidiary; however, a percentage of agency order flow from the Asset Management arm may be directed to the Equities business, and access to stock loan supply can support its prime brokerage and derivatives trading efforts. Partnership in the creation of equity-linked ETFs and structured notes can generate product supply for retail and wholesale investors. Apart from trading, Asset Management provides a means to monetize Research, in some cases alongside of investor clients.[1]

Exhibit 2 illustrates some of the contributions of these five business units to the traditional business of Equities and its clients.

Clients care about what a bank or broker-dealer can do for them overall, without concerning themselves with a firm's internal product boundaries or management organization. When broader capabilities are called for, collaboration with other internal business units becomes critical to the success of the Equities franchise.

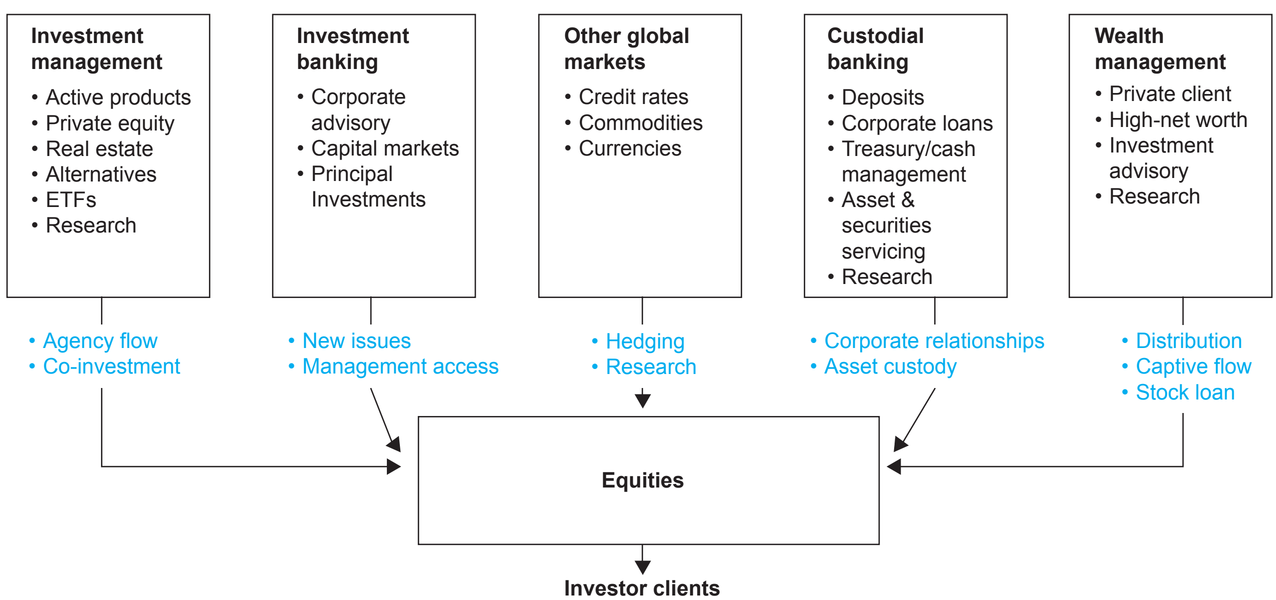
What constitutes a "full-service" Equities business?

Mature Equities businesses offer a complete array of products and services under the umbrella of Equities. The full-service Equities model incorporates five diversified business lines, each of which has a set of products and services that capture revenue in various forms:

1. **New issue.** Origination business based on corporate relationships, resulting in direct underwriting and placement fees and indirect revenues from investor clients seeking to participate in their allocation. *Examples include common and preferred equity, convertible bonds, and private placements.*

2. **Flow.** Agency risk transfer business resulting in commissions and the potential for reduced expenses due to internalization. *Examples include "high-touch"*

Exhibit 2: How firm context for equities enhances investor value



1 Although outside of the scope of this article, the combination of Asset Management with Corporate Banking and Research constitutes a viable "boutique" business model that seeks to avoid real or perceived conflicts between trading proprietarily and providing advice to investor clients.

and/or electronic order handling in cash equities and listed derivatives.

3. **Balance sheet.** Financing businesses resulting in accrual of spreads in excess of cost of funding. *Examples include prime brokerage, securities lending, repo, and OTC derivatives.*

4. **Capital.** Principal trading businesses, including market-making and client facilitation, resulting in revenues from bid/offer spreads and directional risk-taking. *Examples include underwriting, block trading, aspects of program trading, listed options market-making, and certain proprietary trading strategies.*

5. **Services.** Low-risk, operationally-intensive agency business resulting in fee income tied to balances or transactions. *Examples include custody, administration, cash and collateral management.*

A comprehensive offering allows such firms to compete globally for all client segments and to address the entire available revenue pool. As shown in Exhibit 3a, McKinsey estimates the global revenues that may be directly linked to Equities at over $120 billion in 2010.[2] Exhibit 3b illustrates the five Equities business lines in a way that circumscribes the revenue pool.

Diversification can reduce earnings volatility and reliance on new issue activity. Of the five dimensions, flow commissions in cash and derivatives account for 39% of the pool, a fact that leads all competing firms to focus on execution capability. With more than twice as much revenue at stake overall, diversified firms not only access the related pools, but may also have an advantage competing for flow.

The capabilities or limitations of a larger firm directly impacts the ability of its Equities business to compete in each of the five dimensions. For example, the firm's ability to allocate balance sheet and capital to its Equities business allows Equities to offer financing products or to carry inventory in convertible bonds. Similarly, Corporate Banking could drive new issue supply through the Equities business via its capital markets efforts.

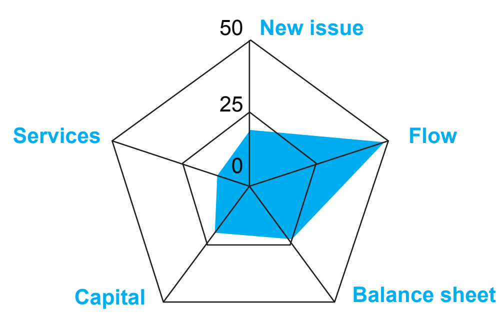
Exhibit 3a: Equities-related revenue pools

Revenue pools	($ billion)
New issue[1]	$19.3
Flow[2]	$48.6
Balance sheet[3]	$22.9
Capital[4]	$21.4
Services[5]	$12.4

1 New issue = ECM + Issuer derivatives
2 Flow = Cash equity + Equity derivatives (listed)
3 Balance sheet = Prime services + Structured equity
4 Capital = Proprietary trading + Principal investments in fixed income and equity
5 Services = Asset manager custody + Cash management + Hedge fund administration + Custodial FX + Agency securities lending (2009 data)

Source: 2010 McKinsey CMIB Revenue Pool, Tricumen, Dealogic

Exhibit 3b: Equities business revenue map ($ billion)



Source: 2010 McKinsey CMIB Revenue Pool, Tricumen, Dealogic

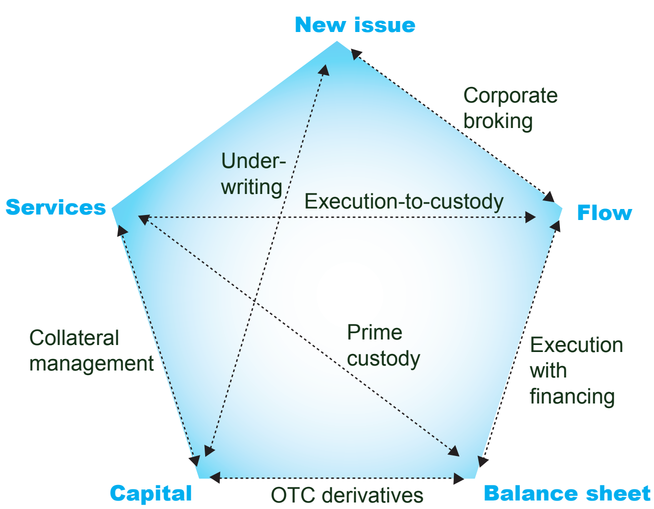
2 Note that facilitation lending (credit extension) is not included, although credit exposure is implicit in balance sheet businesses such as secured lending and OTC derivatives. It is assumed that financing activities within an Equities business are fully collateralized, thereby neutralizing credit exposure to a high confidence level. Credit lines may well be a part of a bank's larger value proposition to issuers and investors, with a direct impact on revenues.

How is client value converted into revenue?

Banks and broker-dealers may be forced to compete on the basis of price for commoditized products. Fortunately, clients have discretion to direct larger payments or market share for resources and services when they can differentiate among firms, usually on the basis of excellence or convenience.

In practice, firms must offer a mix of commoditized and differentiated products and services along with scarce resources. Successful firms are able to create bundles customized for certain client segments. Solutions may not only capture premium revenues but also drive share in more commoditized products such as electronic order flow. Exhibit 4 shows how products associated with different business lines can be combined to form client solutions. In the exhibit, the dotted lines connecting two areas form seven such solutions.

Exhibit 4: Product solutions drive revenue



- **Corporate broking.** Using flow as the basis for providing issuers with insight into market dynamics and investor opinion with regard to the issuer's outstanding shares, thereby increasing the likelihood of new issue participation

- **Underwriting.** Deploying capital in the context of new issues, to provide corporate clients with defined proceeds while earning incremental fees and the opportunity for profit in the secondary market

- **Execution-to-custody.** Offering straight-through processing from execution to clearing, settlement, and ultimate safekeeping of assets with a custodian, thereby retaining custody fees and avoiding operational complexity

- **Execution with financing.** Offering execution along with leverage (stock loan, margin loan, total return swap) with a bundled price that includes commissions and financing spreads, thereby retaining more client activity

- **OTC derivatives.** Providing capital facilitation in combination with balance sheet financing tailored to client requirements

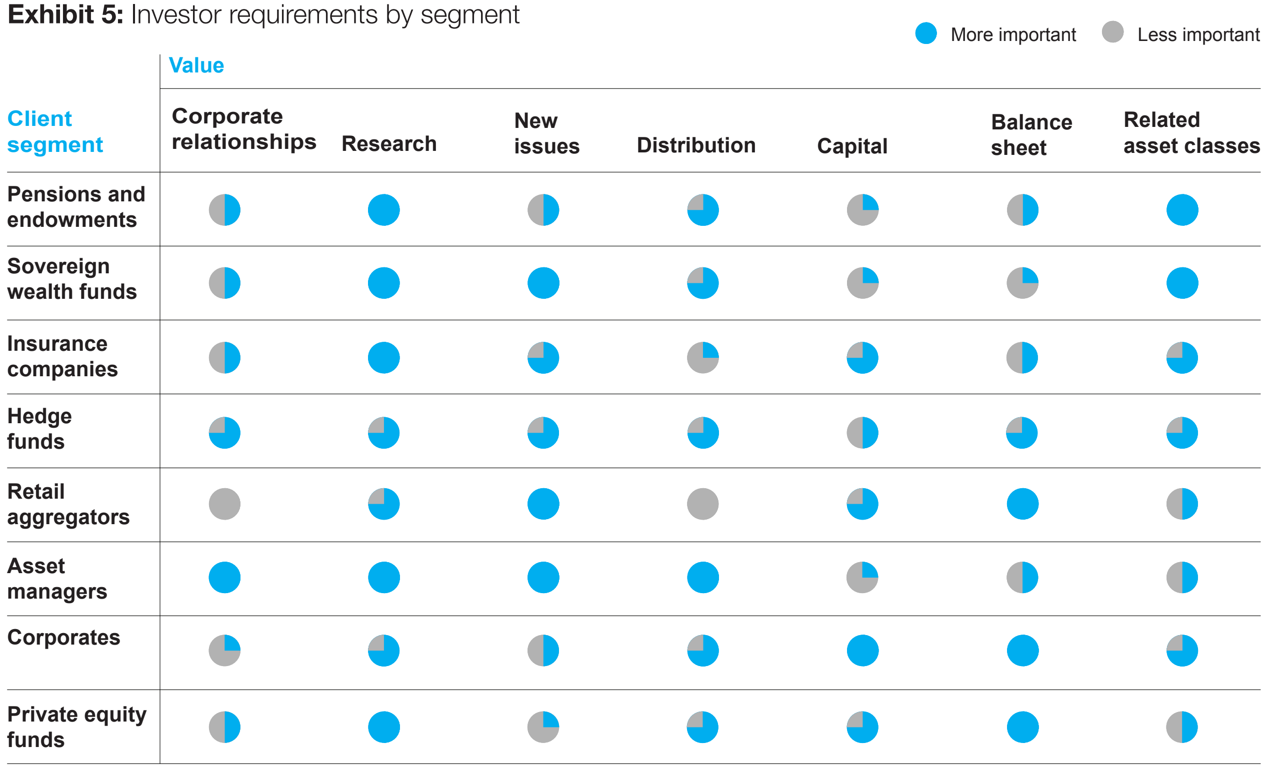
- **"Prime custody." C**ombining financing with true custodial solutions for segregation of fully-paid-for assets from those pledged to the financing

- **Collateral management**. Providing bank custodial solutions for segregation of collateral associated with trading of OTC derivatives or clearing of listed derivatives

How do Equities businesses align with investors?

Bundled solutions can make a firm particularly attractive to certain client segments. Success depends on identifying the clients that are most likely to benefit from those solutions and to pay for them. Segmentation and prioritization of clients by needs and behavior can increase the likelihood of a successful relationship. Conversely, segmentation can eliminate groups of clients that require resources or products that the firm is unable to offer.

Exhibit 5: Investor requirements by segment



Returning to the list of client needs first shown in Exhibit 1, the high-level client segmentation shown in Exhibit 5 reveals that these resources can be of more or less importance to specific client types.

Further segmentation by investment strategy, governance, asset class, geography, and behavioral preferences will uncover more specific client needs. Granular segmentation is useful for finding exceptional client opportunities where the firm's capabilities are relevant and distinctive. Within the segmentation, individual clients should be prioritized for their ability and propensity to pay. Scarce resources may then be allocated to clients on a priority basis where revenue expectations are highest.

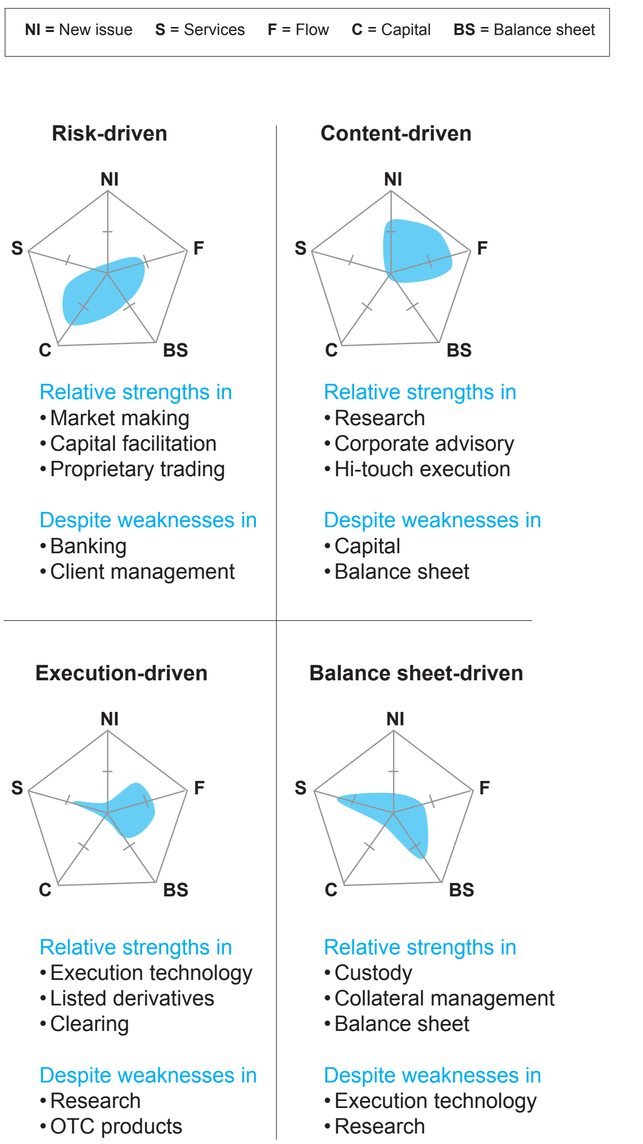
Once a firm's capabilities are aligned with the needs of specific clients, the next challenge is to persuade clients to direct their payments to the firm rather than to a competitor. In the Equities system of indirect payments, firms frequently give service and resources to clients and hope that they respond with payments. In order to influence client behavior, this allocation should be revisited frequently, so that clients who fail to pay do not continue to receive resources, and the resources are reallocated to clients more likely to pay. A firm that is unable to monitor client profitability in this way (allocation of resources and revenues received) risks giving its resources away for free.

Full-service firms exhibit relative strengths and weaknesses

Firms with the broadest capabilities may seem to operate at an advantage; however, such firms can still find it difficult to be the best provider in every aspect. Natural strengths or biases, real or imagined by clients, position competitors in the marketplace. Despite the convenience of "one-stop shopping," clients may elect to unbundle their business. For example, all other capabilities being equal, factors such as credit rating may permit higher-rated firms to compete more effectively for revenues in OTC derivatives and prime brokerage.

Regardless of size, firms exhibit relative strengths that can be used to differentiate themselves from the competition. Relative weakness in other areas, particularly in comparison with specialist players, can leave a firm vulnerable. Exhibit 6 illustrates how relative strengths and weaknesses can shape the reputation of a firm and the revenue pools it can most readily access.

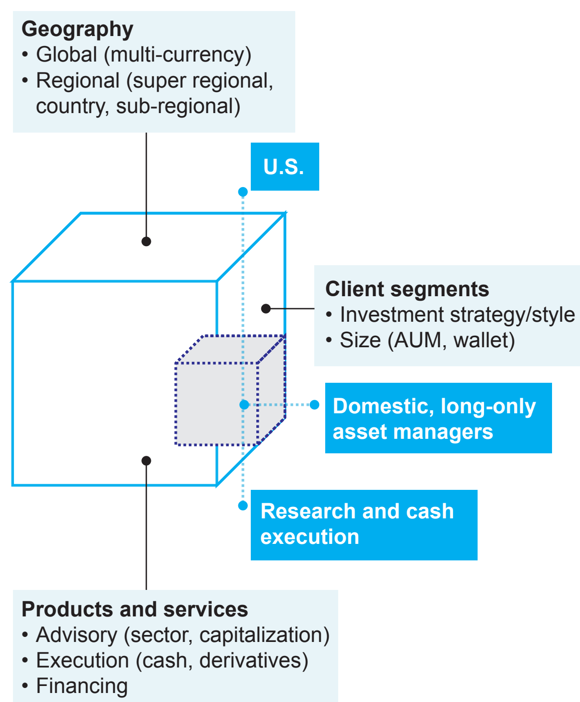
Exhibit 6: Equities business emphasis



Product limitations define a firm's accessible client segments and revenue pools

While a client's misperception can be overcome, smaller firms must deal with real constraints. Each limitation on a firm's product offering or geographic reach potentially restricts appeal to clients and access to revenue. As Exhibit 7 illustrates, a U.S. broker-dealer offering research and cash execution may address the needs of domestic, long-only asset managers; however, the needs of global hedge funds are greater and may cause some hedge funds to deal with broker-dealers or banks that can provide more comprehensive solutions.

Exhibit 7: Scope of Equities business



A variety of Equities business models have emerged with combinations of products and services directed at specific client segments. In contrast with full-service, global firms, these businesses are often characterized as regional or "boutique" players.

Constrained by limited capabilities and geographic footprint, "boutique" strategies are unable to serve entire client segments. However, such businesses can be profitable if they target any remaining client segments that are well-matched to their capabilities.

Practitioners should be warned that a boutique model can inadvertently arise even in the context of a larger firm, when business units fail to coordinate and the Equities business operates in isolation. Full-service capabilities do not generate revenues unless they are properly delivered to clients.

What are the partial, or "boutique" Equities models?

Boutique or niche Equities businesses can succeed provided that they can meet three important tests: First, they must have a clearly defined value proposition that aligns with an equally well-defined client segment. Second, there must be sufficient revenue associated with the client segment to merit the effort. Third, the firm must differentiate itself from competitors in the eyes of the target clients in order to capture enough share of the available revenue. The good news is that success with such a model also offers a path for growth, as new products, services and resources are brought on line with the same discipline to attract new client segments.

In contrast with larger, full-service firms, boutique businesses can focus on being the best provider in a targeted area, potentially unseating larger players. Differentiation through excellence is a strategy best directed at investment content rather than on capabilities that are commoditized.

Five archetypal Equities boutique models

The core competency of any Equities business is the ability to access markets and execute a trade. Execution has essentially split into two types of orders: low-touch and high-touch. Low-touch orders imply little or no human intervention and carry low commission rates that reflect the declining cost of trade processing. High-touch orders are generally handled by a sales-trader and the carry higher commission rates for value-added service. While boutiques may emphasize one or the other, there are advantages to being able to process both order types and offer clients a blended commission rate based on their trading patterns.

Equities boutiques are typically based solely on Execution or in combination with three additional capabilities: Banking, Research, and Financing. Each model has its own challenges and requirements for success. The five most established models are as follows:

- **Model A:** ***Research + execution.*** An Equities business offering execution and research competes for high-touch commissions in exchange for valuable insight. With limited balance sheet, capital, or banking, this model is left to target the flow portion of the Equities revenue pool. This model depends on differentiated research. The firm's research must be strong enough to overcome other limitations and rank high enough among competing brokers to receive a profitable allocation of high-touch order flow. Research talent can be expensive and carry "key man" risk. It is challenging for an execution business to bear the cost of research as investors are driven to get more resources for their commission dollar. So-called "research boutiques" are not generally associated with strength in electronic trading; however, the ability to capture low-touch commissions may be critical to success. The firm must earn investor confidence in its execution capabilities to get low-touch orders that would otherwise go to firms with tested technology and natural liquidity. Investments in trading technology are also significant.

- **Model B:** ***Banking + research + execution.*** A partnership between Corporate Banking and an Equities execution business carries the added potential for new issue supply and improved corporate access for investors. Even in the absence of other resources, this model gives the firm a means to complete for the new issue as well as flow portion of the Equities revenue pool. In addition to the requirements of Model A, it becomes particularly important for the efforts of Banking and Equities to be aligned on sectors and corporate issuer relationships in order to develop a coherent value proposition for investors. The increased value proposition can result in higher placement on client trading lists and more order flow.

- **Model C:** ***Execution only.*** A business model based solely on Execution relies on the portion of commissions that is directly attributable to execution, rather than as payment for other resources. Firms offering only execution must compete with technology, capturing low commissions with low marginal costs per trade. This operating leverage may serve a firm well as it expands. Like Model A, execution-only businesses are limited to competing for the flow portion of the Equities revenue pool; however, without Research, the firm must rely on low-touch order flow at tighter commissions, or position itself for high-touch orders where the primary consideration is client confidentiality and absence of potential conflicts rather than payment for research. The principal challenges to this business model are commission compression (even to the point of payment for flow), alternative liquidity pools, and the need for continued technology investment.

- **Model D: *Execution + financing.*** Execution with Financing implies the deployment of the firm's balance sheet. This model gives the firm a means to compete for the flow as well as balance sheet and capital portions of the Equities revenue pool. Depending on the extent of financing services, some additional fees may be accessible. As with the Execution-Only businesses, this model is dependent on technology and straight-through processing. In addition, credit quality becomes important in financing transactions, particularly prime brokerage and OTC derivatives. In the absence of other resources, this business model may address client segments that are process-driven and dependent on leverage and low-cost execution, generally at higher frequency. Careful client targeting and client service become critical to its success.

- **Model E: *Banking + research + execution + financing.*** The combination of Banking, Research, Execution, and Financing is effectively a complete offering, with access to the entire Equities revenue pool. Firms may operate with a smaller balance sheet or less capital, regionally rather than globally, or emphasize specific sectors. In some cases, balance sheet and capital may be "white labeled" from other, larger providers, with the boutique serving as an aggregator of smaller clients. This model still requires alignment among internal business units and is sensitive to credit rating and technology investments needed to compete with larger firms. It becomes critical to identify client segments that will align with the firm's value proposition. This may include middle markets clients broadly, or larger clients if the firm can deliver superior resources relative to any other bank or broker-dealer.

The first three rows of Exhibit 8 show the revenue streams associated with each boutique business model, and also illustrates the portion of the larger Equities revenue pool that the strategy may expect to access. Note that only a full-service firm in Model E may expect to access all types of revenue, albeit from smaller or regional clients not served by global firms.

Paths to growth

In the absence of market expansion, a mature business can grow revenues by taking market share away from weaker competitors. Growth can also be derived come from improvements in operating leverage. Boutique business models also have the potential to grow by adding capabilities and thereby adding additional client segments and associated revenue. Each of the five archetypal boutique business models may be combined to approach a full-service offering. Most notably, a firm with Banking, Research and high-touch Execution capability (Model B) may combine with an Execution Only firm (Model C) to add technology and low-touch order flow. A large bank with balance sheet and custodial services may merge with a firm with Research and Execution capabilities, with or without banking.

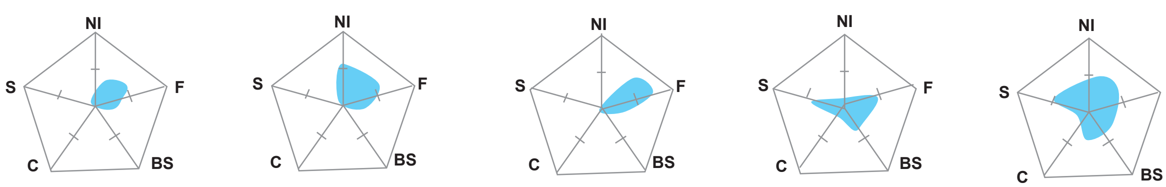
The last two rows of Exhibit 8 show examples of boutique firms for each archetype, outlining potential growth strategies.

How can a sector or regional specialist model succeed?

Boutique firms face the difficult task of differentiating a narrow range of capabilities. Nonetheless, for some clients, a "specialist" may be more credible than a "generalist." An Equities strategy based on providing global investors with valuable resources in a specific sector can succeed only if the content is properly differentiated from other, broad-based providers. In the case of a sector strategy, the deeper the content, the more valuable to investors. Here, related asset classes, banking relationships, and research are most critical. As a broader value proposition, a firm that specializes in a sector can offer additional information from corporate bonds, or commodities, as in the case of natural resources such as agriculture, metals, or energy.

The main challenge of a sector-based offering is revenue collection. A research boutique may have a low fixed expense base and operate on the basis of direct payments or those emanating from commission sharing agreements (CSAs). Flow and balance sheet revenue collection channels carry a

Exhibit 8: Equities boutique models

Model	***A*** ***Research*** ***+ Execution***	***B*** ***Banking*** ***+ Research*** ***+ Execution***	***C*** ***Execution***	***D*** ***Execution*** ***+ Financing***	***E*** ***Banking*** ***+ Research*** ***+ Execution*** ***+ Financing***
Challenges	• Reliance on one dimension of fee pool • Insufficient volume of agency order flow	• Differentiation of research value proposition • Inadequate supply of new issues • Low rank on client trading lists	• Declining low-touch commissions • Competitors willing to pay for flow • Larger full-service firms investing in technology	• Financing appeal limited to hedge fund client segment • Regulatory scrutiny of high-frequency trading	• Differentiation from larger full-service firms • Low credit rating
Key sucess drivers	• Critical mass of quality analysts • Alignment of execution with sectors • Variable-cost technology	• Sector alignment of bankers serving issuers and investors • Cost sharing • Cost-effective low-touch execution technology	• High operating leverage for low-touch orders • Maintaining agent status and avoiding conflicts as principal	• Straight-through processing from • Execution to Custody • High operating leverage	• Alignment of all business units • Client segmentation, i.e. regional or middle market issuers and investors
Addressable revenue pool	 **NI** = New issue **S** = Services **F** = Flow **C** = Capital **BS** = Balance sheet				
Examples	• ISI • MKM Partners • AllianceBernstein • Soleil Securities • Gleacher & Company[1]	• Nomura Securities • Société Générale • Evercore Partners • Lazard Middle Market • JMP Securities • Sandler O'Neill • Keefe, Bruyette & Woods • Guggenheim Partners • Cowen Group • Moelis & Company • Raymond James • Stifel Financial	**High-touch** • Knight **Low-touch** • ConvergEx • ITG • Interactive Brokers • Instinet • Bloomberg TradeBook	• BNP Paribas • Merlin Securities • BTIG • Goldman Sachs GSEC • Morgan Stanley MSET • Credit Suisse AES	• Jefferies • Cantor Fitzgerald • International (non-US) banks
Growth strategies	• Diversify into asset management • Merge with *low-touch* Model D firm to increase execution capabilities	• Diversify into asset management • Add financing to become Model E	• Add research to Model B • Merge with balance sheet firm (bank) to become Model E	• Add research • Acquire research boutique • Merge with Model B firm to become Model E	• Expand/deepen sector offerings • Bolster components through M&A • Balance high-and low-touch

1 Announced exit from Equities business on August 27, 2011

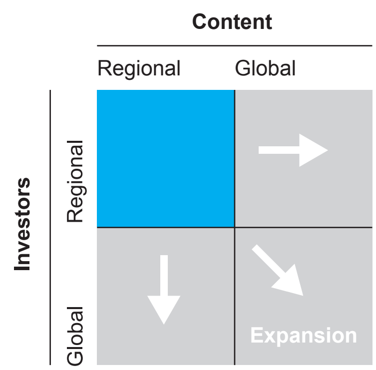
significantly higher expense base. Unless the sector content is relevant enough to investors to warrant significant agency order flow, the strategy will struggle to be profitable.

Regional firms are potentially closer to investor clients and corporate issuers, with better relationships and deeper insight into the economic and political environment affecting both groups. Regional firms must first define the ambition for the business. "Content" may be used to describe the combination of insight (research, corporate access) and products (new issues, secondary market access). Growth may be achieved by expanding the geography of either the content or the clients served. There are then four possible business strategies coming out of a regional base:

1. Regional Content to Regional Investors
2. Regional Content to Global Investors
3. Global Content to Regional Investors
4. Global Content to Global Investors

Exhibit 9 shows the sweet spot for a regional firm at the intersection of local content and local investors, where proximity engenders expertise as well as strong relationships. If the business seeks to grow or access a larger revenue pool, it must expand in one or both directions. To distribute regional content to global investors requires an investment in distribution and investor client coverage. To generate global content requires an investment in Research and Banking elsewhere in the world to build relationships and access to new issues; however, the firm may face considerable cultural headwinds in its bid to be a local player outside of its home market. It is therefore most difficult for a regional firm to expand in both dimensions, reaching for global investors and global content. Given the importance of content to institutional investors, content expansion is the most practical way to increase revenues with the least incremental investment.

Exhibit 9: Regional firm growth options



Summary

The proliferation of Equities market participants is explained by the fact that each business is based on a unique combination of capabilities, informed by the context of the firm in which it operates. In a market that is not expanding, business models will be challenged to find ways to grow. Larger firms will look for ways to differentiate themselves to take business from competitors, while managing costs. Smaller firms may gain market share though successful differentiation, or may find growth by entering new areas of the Equities market organically or by acquisition. A stand-alone Equities business is at risk, whether it is a narrowly-defined boutique, or a business unit of a large firm operating in isolation. In order to succeed, Equities businesses must use leverage from the other strengths of their firm, paying attention to cooperation and alignment of effort.

Jeff Penney is a Senior Advisor to McKinsey & Company. Until 2009, he was the Co-Head of Global Financing (prime brokerage, stock loan, clearing, and derivatives) and the Head of Americas Equity Sales at Merrill Lynch. Previously, he was the Product Manager for Financing Products and Co-Head of Equity Product Marketing at Morgan Stanley. Jeff entered financial services in public finance and fixed income at First Boston followed by derivatives marketing at Credit Suisse Financial Products. Mr. Penney holds a B.S.E. in Electrical Engineering and Computer Science from Princeton University, where he serves on the Advisory Council of the Department of Operations Research and Financial Engineering.

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